

ZA01
Maryland Hospital Association – Capital
Miscellaneous Grant Programs

Capital Budget Summary

Grant and Loan *Capital Improvement Program*
(\$ in Millions)

Program	2019 Approp.	2020 Approp.	2021 Request	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
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Private Hospital Grant Program	\$5.500	\$5.500	\$6.600	\$6.000	\$6.000	\$6.000	\$6.000
Total	\$5.500	\$5.500	\$6.600	\$6.000	\$6.000	\$6.000	\$6.000

Fund Source	2019 Approp.	2020 Approp.	2021 Request	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
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GO Bonds	\$5.500	\$5.500	\$6.600	\$6.000	\$6.000	\$6.000	\$6.000
Total	\$5.500	\$5.500	\$6.600	\$6.000	\$6.000	\$6.000	\$6.000

GO: general obligation

Key Observations

The recommended amount for fiscal 2021 is \$600,000 above the amount planned in the 2020 *Capital Improvement Program* (CIP). This increase is offset, in part, by slowed out-year growth in the Private Hospital Grant Program (PHGP) when compared to the 2019 CIP. **The Department of Legislative Services (DLS) recommends reducing funding for the PHGP to the level programmed for fiscal 2021 in the 2019 CIP.**

Summary of Recommended Bond Actions

	<u>Funds</u>
1. Atlantic General Hospital Approve \$800,000 in general obligation bonds.	
2. Frederick Memorial Hospital Reduce general obligation bond support for Frederick Memorial Hospital by \$600,000.	\$600,000 GO
3. The Johns Hopkins Hospital Approve \$691,000 in general obligation bonds.	
4. Kennedy Krieger Children’s Hospital Approve \$450,000 in general obligation bonds.	
5. MedStar Montgomery Medical Center Approve \$400,000 in general obligation bonds.	
6. Meritus Medical Center Approve \$509,000 in general obligation bonds.	
7. Mount Washington Pediatric Hospital Approve \$750,000 in general obligation bonds.	
8. Sinai Hospital of Baltimore – Center of Hope Approve \$500,000 in general obligation bonds.	
9. SECTION 2 – Maryland Hospital Association – Sinai Hospital of Baltimore Approve changes to prior authorization.	

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10. SECTION 2 – Maryland Hospital Association – Adventist Healthcare
Shady Grove Medical Center

Approve changes to prior authorization.

11. SECTION 2 – Maryland Hospital Association – Union Hospital of
Cecil County

Approve changes to prior authorization.

Total General Obligation Reductions **\$600,000**

Program Description

Private Hospital Grant Program

The PHGP provides grants to assist private hospitals in the construction and renovation of facilities that improve patient care, particularly access to primary and preventive services and to focus on unmet community health needs. Projects in the budget have been selected by a committee of hospital trustees and executives from all regions of the State. The Maryland Hospital Association (MHA) serves as the administrator for the PHGP.

Budget Overview

The PHGP selects projects with an 11-person selection committee consisting of hospital trustees and hospital executives from throughout the State. The committee selects projects based on the following criteria:

- how the project aligns with the goals of Maryland’s total cost of care (TCOC) model;
- how the project improves patient care by enhancing access to primary and preventive services, focuses on unmet community health and related social needs, and improves patient safety environment;
- how the project encourages collaboration with other community partners, where appropriate;
- where appropriate, how the project seeks to reduce potentially avoidable hospital utilization, resulting in more efficient and effective services; and

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- in addition, serious consideration should be given to the unique needs of hospitals that are sole community providers, are proposing projects located in underserved areas, are proposing projects of special regional or statewide significance, and are proposing projects not requiring multi-year State bond funding.

Exhibit 1 shows the eight projects selected based on these criteria for fiscal 2021 in five jurisdictions.

**Exhibit 1
Maryland Hospital Association Projects Selected
Fiscal 2021**

<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Estimated Total Cost</u>	<u>2021 State Funding Requested</u>	<u>State Share</u>
Baltimore City	Kennedy Krieger Children’s Hospital – Pediatric Epilepsy Monitoring Unit: Renovate existing inpatient space to create a state-of-the-art pediatric epilepsy monitoring unit for children and adolescents with refractory epilepsy. This unit will include two new specially designed inpatient rooms/suites.	\$900,000	450,000	50.0%
Baltimore City	Mount Washington Pediatric Hospital Rehabilitation Gymnasium and Treatment Space: Construct a new state-of-the-art rehabilitation gymnasium and treatment space to meet the demand for expanded and integrated therapies for children who have suffered injuries and/or face disabilities. The new center will include outpatient clinics and a rehabilitation day program and is expected to bring an additional 15,000 patient visits, including 1,200 new patients.	4,000,000	750,000	18.8%
Baltimore City	Sinai Hospital of Baltimore – Center for Hope: Construct a new facility, the Center for Hope, to house multiple partner agencies responsible for a variety of violence prevention and intervention programs working collaboratively to address the root causes and intersections between violence and trauma. The Center for Hope will colocate services to connect patients to legal, medical, mental health, child welfare and other community resources.	11,500,000	500,000	4.3%

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<u>Jurisdiction</u>	<u>Project Title and Description</u>	<u>Estimated Total Cost</u>	<u>2021 State Funding Requested</u>	<u>State Share</u>
Baltimore City	The Johns Hopkins Hospital – Residential Crisis Services Center: Acquire, construct, and renovate two contiguous row homes in East Baltimore to provide access to residential crisis services. The services center will be able to house eight individuals at a time in each row house and be staffed 24/7 to provide services to individuals housed at the center. These services will prevent and/or shorten the length of stay for inpatient psychiatric admissions.	1,382,000	691,000	50.0%
Frederick County	Frederick Memorial Hospital – Critical Care Pavilion: Renovate and construct a new three-story critical care pavilion. This project will redesign the emergency department to accommodate adult and pediatric patients, modernize the intensive care unit, and relocate cardiac diagnostic and therapeutic service to address current facility constraints.	45,800,000	2,500,000	5.5%
Montgomery County	MedStar Montgomery Medical Center – Acute Care for Elderly Unit and Geriatric Emergency Department: Construct an Acute Care for Elderly Unit and Geriatric Emergency Department to serve as a regional geriatric program. This project will provide a space specially designed for geriatric patients, helping them remain as independent as possible to support aging in place.	2,131,075	400,000	18.8%
Washington County	Meritus Medical Center – John R. Marsh Cancer Center: Renovate the John R. Marsh Cancer Center to increase the size of the family consultation rooms, number of private oncology infusion treatment rooms, oncology infusion chairs, and radiation oncology examination rooms. Renovations will allow physician offices and nurses’ station to be relocated to a central location in radiation oncology.	4,267,886	509,000	11.9%
Worcester County	Atlantic General Hospital – Ambulatory Surgery Facility: Construct a new ambulatory surgery facility on the first floor of a medical office building.	4,245,823	800,000	18.8%

Source: Governor’s Fiscal 2021 *Capital Improvement Program*.

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The average State share for proposed projects this year is over 20%, which is driven by the State funding exactly half of two projects in the fiscal 2021 selections. However, the total funding provided by the State relative to estimated project expenditures is below 10%. The fiscal 2021 proposed projects include one particularly large project, the Frederick Memorial Hospital, which alone accounts for over half of the total project costs. The average State contribution for the fiscal 2021 proposal is \$825,000, a slight increase over \$611,111 in fiscal 2020's PHGP selections.

When reviewing projects selected by MHA, DLS noticed the diversity within the range and scope of projects chosen. DLS commends MHA on very rigorous evaluation and selection process. However, DLS has noticed that the wide array of selection criteria has led to a wide array of projects selected. For instance, the projects at The Johns Hopkins Hospital and the Sinai Hospital Center for Hope are both innovative in ways in which they are transforming care or co-locating services, respectively. Other projects selected seem more traditional upgrades to hospitals aimed to increase hospital efficiency. **MHA should comment on the role the PHGP can and does play in encouraging hospital innovation and care transformation, particularly as it pertains to Maryland achieving the goals of the TCOC model.**

One such project that presents as a more traditional hospital upgrade is the Frederick Memorial Hospital Critical Care Pavilion. This project is largely aimed at improving the efficiency of the emergency department. It is also the largest project in this year's proposal and the project receiving the largest amount of State funds. As previously discussed, the PHGP for fiscal 2021 is \$600,000 above the amount programmed in the 2019 CIP for fiscal 2021. **Therefore, DLS recommends reducing the general obligation bond funding for the PHGP by \$600,000, which would fund the program at the level programmed for fiscal 2021 in the 2019 CIP. This reductions should be made the Frederick Memorial Hospital Critical Care Pavilion project, reducing total State support for this project from \$2,500,000 to \$1,900,000.**

Issues

1. Oversight of the Program by MHA

Committee narrative in the 2016 *Joint Chairmen's Report* (JCR) requested MHA to monitor the amount of encumbrances and expenditures to date of State funding for the PHGP. Previously, this information was not provided by the Department of Budget and Management (DBM) or MHA in its annual submissions related to the program. Broadly speaking, this reporting has been effective in reducing the share of unencumbered balances in the program and having fewer long outstanding projects. For instance, the last two reports featured an unencumbered balance from 2007, which has been closed at the time of the most recent report. The report submitted by MHA identified \$12.5 million in unencumbered balances from the PHGP from fiscal 2013 to 2017. The report notes no encumbrances have occurred for either fiscal 2018 or 2019 projects.

While this has required MHA to monitor and identify projects with unencumbered balances, the fiscal 2021 capital budget bill includes a deauthorization of \$1 million in funds for Sinai Hospital of

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Baltimore (Sinai) that was authorized in 2014. Sinai has advised DLS that the reason for this deauthorization is that the project that was initially awarded was completed underbudget and therefore did not utilize State funds. One of the main objectives of the 2016 JCR narrative was to prevent projects from facing deauthorization by monitoring their progress, expenditures, and matching funds. It is worth highlighting that in the report submitted by MHA in November 2018, the Sinai project in question was identified as having been completed and submitting the reimbursement documents for the remaining \$37,241 of their unencumbered balance. In this most recent report, submitted one year later, the amount unencumbered remains unchanged.

Sinai has proposed a related, albeit different, capital project that is being undertaken that would be able to benefit from the prior authorized funds. However, considering that it is a different project, it would require an amendment to the prior authorization or an addition as a new project onto itself. Considering that the 2014 Sinai project has been deauthorized in the budget as introduced and the funds recycled for other purposes, supporting Sinai’s request to use the funds for a different project would result in having to reduce the budget by like amount elsewhere.

Amendments to Prior Authorizations and Deauthorizations

Aside from the Sinai project discussed prior, there are two other changes to prior authorizations. The first pertains to renaming Adventist Healthcare Shady Grove Medical Center in the 2016 capital budget bill. The other extends the matching fund certification date for funds authorized in 2017 for the Union Hospital of Cecil County.

As previously discussed, **Exhibit 2** reflects the deauthorization of the Sinai Hospital Pediatric Unit in the fiscal 2021 capital budget bill.

Exhibit 2
Deauthorizations
Fiscal 2022-2025

<u>Project</u>	<u>Deauthorized Amount</u>	<u>Reason</u>
Sinai Hospital of Baltimore	\$1,000,000	Project completed without certification.

Source: Department of Budget and Management, 2019 *Capital Improvement Program*

GO Bond Recommended Actions

1. Approve \$800,000 in general obligation bonds for Atlantic General Hospital.
2. Reduce general obligation bond support for Frederick Memorial Hospital by \$600,000.

ZA01B	Frederick Memorial Hospital.....	\$ 1,900,000
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<u>Allowance</u>	<u>Change</u>	<u>Authorization</u>
2,500,000	-600,000	1,900,000

Explanation: The Governor’s proposal for the Private Hospital Grant Program for fiscal 2021 exceeds the 2019 Capital Improvement Program (CIP) by \$600,000. The Department of Legislative Services is recommending reducing the general obligation bond for the program by \$600,000 to meet the 2019 CIP and recommending funds removed from project with the largest amount of State funding in the fiscal 2021 proposal.

3. Approve \$691,000 of general obligation bonds for The Johns Hopkins Hospital.
4. Approve \$450,000 in general obligation bonds for Kennedy Krieger Children’s Hospital.
5. Approve \$400,000 in general obligation bonds for MedStar Montgomery Medical Center.
6. Approve \$509,000 in general obligation bonds for Meritus Medical Center.
7. Approve \$750,000 in general obligation bonds for Mount Washington Pediatric Hospital.
8. Approve \$500,000 in general obligation bonds for Sinai Hospital of Baltimore – Center for Hope.
9. Approve the deauthorization of \$1,000,000 for Sinai Hospital of Baltimore.
10. Approve the changes to the prior authorizations for Adventist Healthcare Shady Grove Medical Center.
11. Approve changes to prior authorization for Union Hospital of Cecil County.

Total General Obligation Bonds Reductions	\$600,000
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